

OIG Works With TVA on Initiative to Detect and Prevent Fraud

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While TVA management has the ultimate responsibility for fraud detection and prevention, our goal is to help TVA improve their antifraud processes, develop an effective oversight process, and detect and seek prosecution of fraud where it exists. We will be expanding our efforts in data mining and intelligence and analysis, as well as working with TVA management to conduct fraud risk assessments in key business units.

OIG Increases Oversight of BFN Unit 1 Restart Project

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The estimated cost to restart BFN Unit 1 is \$1.8 billion, to be completed in fiscal year 2007. Because of the significance of this effort, the OIG has redirected resources to BFN to conduct reviews to promote cost control and detect and correct instances of fraud, waste, and abuse. We also have projects underway to ensure integrity in TVA's contract administration process and to look for cost savings opportunities. Our efforts included identifying overbillings by one contractor of \$602,611 and an indictment of a former employee and co-conspirator for purchasing overpriced janitorial supplies far in excess of what TVA needed.



Semiannual Report to the Congress

TVA Office of the Inspector General

April 1 ~ September 30, 2004



Highlights

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Contract Audits Identify Over \$3 Million in Potential Savings

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Our contract and preaward audits identified almost \$3.3 million in potential savings opportunities. TVA management generally agreed with our findings and implemented our suggestions. TVA negotiated over \$7 million in savings from our preawards and disallowed nearly \$3 million questioned by our contract audits during this and prior reporting periods.



TVA's IT Security Program Moves Forward

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We found TVA's security program structure meets Federal Information Security Management Act requirements and TVA is making substantial progress in correcting significant deficiencies. TVA also is correcting weaknesses in logical and physical security and internal controls identified in our other reviews.



Statistical Highlights April 1 ~ September 30, 2004

Audit Reports Issued	34
Questioned Costs	\$1,763,000
Funds Recovered/Disallowed	\$4,061,000
Funds Put to Better Use	\$1,471,000
Funds Released by TVA	\$7,196,000
Investigations Opened	118
Investigations Closed	163
Fines/Recoveries/Restitution/Savings	\$1,359,349
Criminal Actions	12
Administrative Actions (No. of Subjects)	30
Inspections Completed	8
Cost Savings	\$226,000

Financial-Related Reviews Found No Material Problems

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We conducted five financial-related audits, including two audits of TVA's external auditor's review of interim financial information for the second and third quarters of fiscal year 2004. Although we noted some areas for improvement, we did not identify any material weaknesses.



Recommended Improvements in energy right® Program Identified

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An inspection of an energy right® Program contractor found he engaged in various improper schemes. Our inspection also found numerous



opportunities for improvement in internal controls over program implementation.

Improved Procedures Recommended for TVA's Hospitality Program

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We determined TVA hospitality and special event-related expenditures for fiscal year 2003 totaled about \$6.5 million. TVA employees had wide discretion to incur those expenses, and we found no instances of noncompliance with policy. During our review, the TVA Board issued additional guidance to better control these expenditures. In addition, management agreed with our recommendations for additional procedures to improve reporting, reviewing, and monitoring hospitality expenditures.